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SUBJECT: BAHAMIAN TOURISM LOSING ITS COMPETITIVE EDGE

1. (SBU)SUMMARY: CEO and Chairman of BahaMar Resort, Starkis Izmirlian, told Chamber of Commerce officials that The Bahamas is in jeopardy of losing its competitive edge in tourism if steps are not taken to improve the educational system and infrastructure. Izmirlian noted that the tourism arrivals to The Bahamas for 2008 were down while arrivals to competitive destinations increased. He said that for the BahaMar project to succeed, action must be taken to make the Bahamian tourism product more competitive. Izmirlian also discuss the need for significant Chinese labor, if BahaMar is successful in securing Chinese funding. END SUMMARY.

TOURISM ARRIVALS CONTINUE TO DECLINE

2. (SBU) Sarkis Izmirlian, CEO and Chairman of Baha Mar, told Chamber of Commerce officials at its Annual General Meeting on May 27 that while tourist arrivals to The Bahamas declined by 4.3 per cent in 2008, arrivals to Cancun were up by 7 per cent, Cuba up by 9 per cent, Jamaica by 4 per cent, and Aruba by 10. These sobering statistics prevailed despite the Bahamas' proximity to the U.S., and confirmed that the tourism industry needs immediate attention. He noted that the closure of the Four Seasons Emerald Bay Resort in Exuma was the only hotel in the globally branded chain to close. (See Reftel A) Additionally, he said the government of Qatar chose to invest in a \$75 million dollar 250-room hotel in Cuba rather than the BahaMar project.

TELL IT LIKE IT IS

3. (SBU)Izmirlian bluntly told the group about the many problems within in the tourism sector and emphasized that The Bahamas' education system and deteriorating physical infra-structure desperately needed upgrading and government-owned utilities privatized. He also said the 15 per cent mandatory gratuity was hurting the industry because it provided compensation for poor service. Other issues facing the destination included the high cost of travel and accommodations, lack of tourist attractions, and the poor state of downtown Nassau - the city's major tourist thoroughfare. Izmirlian suggested that a public/private sector, blue-ribbon partnership be formed to address these problems.

BAHAMAR - SIGNIFICANT CHINESE LABOR REQUIRED

4. (SBU)Sarkis Izmirlian did not address the status of the BahaMar project in his presentation, but responded to audience questions on the subject. He said that they are still in negotiations with the Chinese and the Chinese Export/Import bank was continuing its due diligence. Izmirlian said that he expects the project to materialize despite its long delay and investor search.

5. (SBU) At a private press interview Izmirlian said that if Bahama Mar secured Chinese investment it would require "significant Chinese labor." He said that if the deal with the Chinese Import Export Bank for a multi-billion dollar loan and the Chinese State Construction company for \$100 million is secured, their Chinese partners would expect to bring in their own workers. It is also expected according to Izmirlian that Bahamian contractors would have an opportunity to participate in the project as well. However, the

Bahamian government would likely have a difficult time striking a balance between the number of Chinese workers required for this project and employing the large number of local construction workers who are unemployed as a result of the downturn in the construction sector.

¶6. (SBU) COMMENT: Sarkis Izmirlian's blunt public remarks highlighted what many think has impeded the growth of the tourism sector, specifically the high cost of operating in The Bahamas, poor infrastructure, lack of tourist related activities, and across the board gratuities. Tourism officials have long relied on the proximity of the Bahamas to the U.S. to maintain a steady stream of tourist arrivals. The worldwide economic downturn, low cost alternate destinations, and the expectation that travel to Cuba will eventually open has forced the government and private sector address these problems. The question remains if their efforts will be too little too late. END COMMENT.